AFRICAN **GLOBALIZERS** REPORT 2020

From Trade Wars to COVID-19
Africa's Global Firms March On

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THE AFROCHAMPIONS INITIATIVE

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AfroChampions is a regional private-public partnership designed to galvanize African resources and institutions to help drive Africa's integration. The Initiative supports the emergence and success of African business champions, which have a critical role in integrating African markets and accelerating the transformation of the continent. AfroChampions is a leading private sector partner of the AU. The African Globalizers report is a flagship of the AfroChampions initiative and is produced in partnership with the research and advisory firm Konfidants

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Foreword: African Globalizers in the era of Covid-19

We are launching this year's edition of the African Globalizers Report at an extraordinary period of global crisis. The coronavirus pandemic has disrupted the world economy, derailed investment plans of companies and brough entire industries to their knees. Much as hopes for a V-shaped quick post-lockdown recovery continue to drive market expectations, unfolding events over the past months make it clear enough that whatever recovery manifests will be fraught with uncertainty.

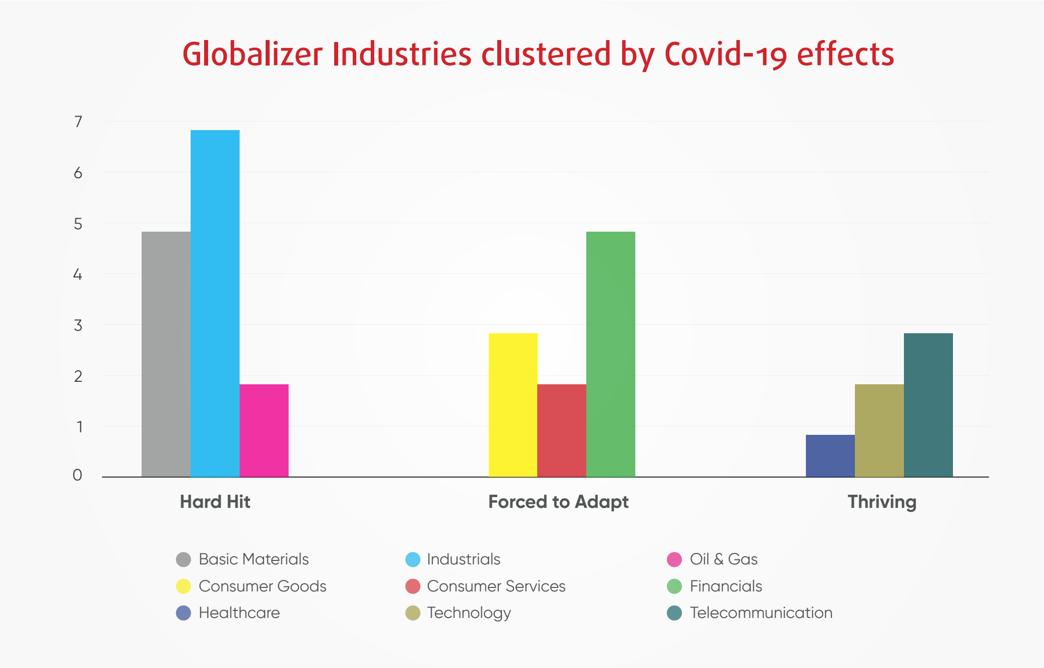
This report was completed before the pandemic struck. The main analysis therefore precedes the crisis. However, in this brief foreword, we provide some preliminary thoughts on how the crisis may be impacting African Globalizers

Industry dynamics: a few Globalizers are thriving on Covid-19; most are hard hit but opportunities can still be found

The African globalizers operate across a range of industries all of which will be affected differently by the virus. We have clustered these industries into 3 groups; "hard hit", "forced to adapt" and "thriving".

Unfortunately, two of the most popular industries among Globalizers - Industrials (23% of Globalizers) and Basic Materials (17% of Globalizers) - have been hit hard by the pandemic. 5 of the top 10 Globalizers, according to the 2020 rankings, including firms like Grindrod, OCP and Aveng operate in these industries.

Effect of COVID-19 on the industries in which African Globalizers operate



Lockdowns and restrictions to movement across the world severely halted a lot of manufacturing and industrial work with adverse effect on companies in the industry. The volatility of prices on the commodity market is also likely to affect firms in the Basic Materials industry.

Some industries, like Technology and Telecommunication, are however, experiencing growth. This is due to an increased need for alternative means of communication and work. With mobility limited across the globe, people are turning to technology for new ways of communication. Naspers and Datatec have both seen growths in stock value and revenue with the former reportedly having some $8bn available in cash and debt facilities for acquisitions, in spite of the pandemic. MTN Group announced 6.6 million new subscribers to their network over the first quarter of the year, a 2.6% increase in membership over one quarter. About 2.9 million (43%) of those new subscribers signed on to the firm's data offerings, most likely motivated by the increasing need to work from home due to the virus.

Impact on Footprint: Globalizers do business in some of the hardest hit territories

The African Globalizers have footprints across the globe, spanning Europe, Asia Pacific, North America and South America. A comparison between 10 of the hardest hits countries and top 10 Globalizer destinations, reveals that 6 countries are on both lists with the USA and the UK close to the top on both. 22% (72 out of 317) of Globalizer footprints are concentrated in these 6 countries. This means that, the Globalizers are fully exposed to the effects of the pandemics as the regions where they are most active (with close to a quarter of all investment footprints), are some of the hardest hit.

Comparison between top 10 African Globalizer destinations and 10 of the countries hardest hit by Covid-19

Top 10 Globalizer Destinations	10 of the Covid-19 Hardest Hit Countries
UK	USA
USA	UK
Australia	Italy
Singapore	France
Brazil	Spain
France	Brazil
Netherlands	Belgium
UAE	Germany
Germany	Netherlands
Malaysia	Canada

It is possible that these events will have some effects on the rankings in the next edition of the Report with some Globalizers set to gain more ground while others suffer setbacks.

What lies ahead

Despite the severity of the crisis, there are potential opportunities that Globalizers should actively be seeking to take advantage of. COVID-19 has reset the world in several ways, changed the way things are done and with that disruption comes new opportunities. For some Globalizers this might mean adapting to new practices, for others it might mean diversifying their operations and adding new extensions to their existing businesses. Others might find new opportunities to make strategic acquisitions that were not possible previously. Opportunities to thrive abound in this crisis and the African Globalizers should take advantage of them.

CHAPTER

01 INTRODUCTION

In 2017 we launched the maiden African Globalizers Report in Johannesburg. It explored the global expansion of 30 African companies outside the continent, as well as prospects for Africa's first global giants – "the African Samsung" and "the African Toyota" – to emerge on the world stage. The report introduced the African Globalizers Index – an innovative index that ranked the 30 companies according to their degree of globalization across 4 continents outside of Africa namely, Europe, Asia-Pacific, North America, and South & Central America. We have since continued to follow the progress of these African champion companies and are pleased to issue this second edition of the report and index.

This second edition of African Globalizers Report updates our data from 2017, to see the current state of the companies' global expansion since the last report. The positive news is that collectively the African Globalizers have increased their global investment and operational footprint by 48%. While none of the globalizers broke into the Fortune Global 500, they have nonetheless expanded into new territories, collectively increasing revenue outside Africa by 9.7%. In the current atmosphere of global trade wars, African firms continue to make new bold acquisitions in some of the world's most advanced markets, while consolidating their previous positions.

As with the previous report, South African companies still dominate the list. However there is hope that the African Continental Free Trade Agreement could help create more Globalizers from other regions of the continent — by speeding up the emergence of more continental giants who will be capable of competing on the global market.

The methodology for the report remains largely unchanged from the first edition (see chapter 2). Analysis is based on end of 2018 financial year data.

CHAPTER

02 METHODOLOGY

To be included in the report, companies were required to meet these criteria.

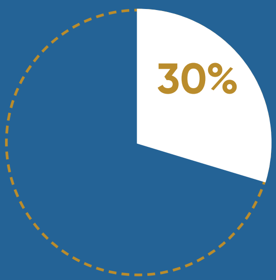
1. **African HQ** – To be considered an African multinational, the headquarters of the company must be in an African country.

2. **Trans-continental footprint** – The company must have operational subsidiaries or major holdings outside the African continent. A company must be present in not less than two countries within at least one continent outside Africa – although a few exceptions are made for analytical insights. For this report, representative offices are not considered. Four continental regions are counted: Europe, Asia-Pacific, North America, and South & Central America.

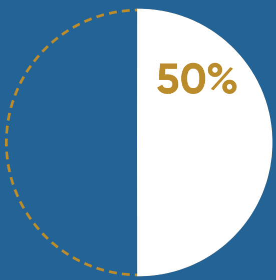
3. **Ownership stake** – The parent company must have at least 50% stake in the subsidiary for it to be considered as part of its geographical footprint.

4. **Information Availability** – Information on the companies' geographical exploits must be readily available in recent annual reports and other credible sources.

5. **Index formula** – The African Globalizers index was developed using the weighted number of continents, the number of footprints and the percentage of foreign revenues generated outside Africa for each African Globalizer as the base parameters. The proposed weights used were:



Number of continents outside Africa



Number of footprints outside Africa

Percentage foreign Revenues

The African Globalizers Index was calculated using the formula:

$$\frac{X(w_x)}{X_{max}} + \frac{Y(w_y)}{Y_{max}} + \frac{Z(w_z)}{Z_{max}}$$

Where for each African Globalizer:

- x = Number of continents outside Africa
- y = Number of Footprints outside Africa
- z = % of foreign Revenues
- X_{max} = Maximum number of continents
- Y_{max} = Maximum number of footprints
- Z_{max} = Maximum number % of Revenue

Analysis is based on end of 2018 financial year data. Access to new information, which wasn't previously accessible, has accounted for some of the changes in footprints, updating the 2017 figures.

Based on the selection criteria stated above, these are the Companies that qualified for the 2020 Globalizers Rankings.

African Globalizer Company	Industry
Datatec	Technology
Naspers	Telecommunication
Aspen Pharmacare	Health Care
Grindrod	Industrials
Omnia Holdings	Basic Materials
OCP	Basic Materials
Sasol	Oil & Gas
Aveng	Industrials
Old Mutual	Financial
Steinhoff International	Consumer Goods
Murray & Roberts	Industrials
Sanlam	Financial
Standard Bank Group	Financial
Sappi	Basic Materials
Distell Group	Consumer Goods
Discovery	Financials
Gold Fields	Basic Materials
AngloGold	Basic Materials
El Sewedy	Industrials
Attijariwafa	Financials
Barloworld	Industrials
MTN Group	Telecommunication
Oando	Oil & Gas
Woolworths Holding	Consumer Services
Global Telecom Holdings	Telecommunication
Blue Label Telecom	Telecommunication
Truworths International	Consumer Services
Group Five	Industrials
Ghabbour Auto	Consumer Goods
Cevital	Industrials

CHAPTER

03

THE BIG STORY

The big story for African firms operating on the global stage is one of progress and resilience. Their global stories – as seen in this year's rankings – are in many ways similar to 2017: Datatec leads the way, Aspen Pharmacare are in third place and a few other companies keep their place in the rankings. South African firms are still the most dominant, making up over 70% of the firms ranked. There were, however some changes, and quite significant too; South African firm Naspers, moved from 6th to 2nd, while Sasol and Omnia both moved up the table, the latter moving from just outside the top 20 into 5th spot. Below are the top 10 Globalizers according to this year's rankings. (Find full rankings on page 26)

The big story for African firms operating on the global stage is one of progress and resilience.

Top 10: 2020 African Globalizers Rankings

African Globalizer Company	2017 Rank	2020 Rank
Datatec	1st	1st
Naspers	8th	2nd
Aspen Pharmacare	3rd	3rd
Grindrod	5th	4th
Omnia Holdings	21st	5th
OCP	6th	6th
Sasol	15th	7th
Aveng	2nd	8th
Old Mutual	4th	9th
Steinhoff International	7th	10th

Acquiring and Expanding Reach; Increasing Footprints through Acquisitions

Most of the shifts in ranking were boosted by significant moves to consolidate global presence. Naspers, for instance, invested over $2 billion in acquisitions mainly in e-commerce, food delivery business, as well as digital travel and payment services. Naspers became the biggest single shareholder of Delivery Hero, a global online food-ordering and delivery marketplace that operates in over 42 countries. Datatec, also from South Africa, made its own strategic acquisitions which increased footprint, acquiring New York headquartered AMI Partners through subsidiary Analysis Mason. Datatec also acquired Chilean ICT services and solutions provider Coasin, which has operations in Peru.

As a result of such acquisitions, collective global footprints of the 30 globalizers outside of Africa increased from 214 to 317; total revenue increased from around $135.3 billion to $140.8 billion and foreign revenue (outside Africa) increased from $53.6 billion (39.6% of total revenue) to $58.8 billion (41.7% of total revenue).

43% of globalizers saw an increase in footprint, 17% saw a decrease in footprint, and 40% saw no change in footprint. As the numbers have shown, we find no evidence that global trade wars have adversely impacted African globalizers. (More in chapter 05)

Major Acquisitions by some African Globalizers since the last count

Globalizer	Company Acquired	Stake Acquired	Price
Omnia	Oro Agri (U.S.A)	100%	$100 million
Naspers	Delivery Hero (Germany)	22.75% (single Largest Shareholder)	$775 million
Datatec	AMI (U.S.A)	100%	Undisclosed
Sappi	Cham Paper Group (Specialty Paper Unit) (Switzerland)	100%	$149 million
Datatec	Coasin (Chile)	100%	$20.2 million

Business Diversity; Performers Across Different Industries

The globalizers operate in quite a diverse array of industries with the dominant industries being industrials (23.3%), financial (16.7%) and basic materials (16.7%). All the industries except Consumer Goods (2 less footprints representing a 12% decrease) and Consumer Services (1 less footprint representing a 17% decrease) saw an increase in footprints.

Healthcare (From 9 footprints to 25, 178% increase), Telecommunications (From 24 to 57 footprints, 138%), and Oil & Gas (From 9 to 20 footprints, 122%) more than doubled their footprint count. Telecommunications posted the highest increase in footprint with 33 followed by Basic Materials (25) and Health Care (16).

Cross-continental Performers; Increase Footprints in all Regions

Geographically, we have seen an increase in the number of continental expansions. 11 of the 31 Globalizers are present in all 4 continents (compared to 4 firms in the last report). All the regions saw an increase in footprints with Europe leading the way with 41 new footprints, the highest numerical increase across the regions (Asia Pacific (36), North America (5) South & Central America (25)). South & Central America's 25 new footprints increase their previous figure by 89%, the highest percentage increase with Europe increasing by 51%, Asia Pacific 45% and North America 23%.

Of the 4 continents, Europe (with 38% of total footprints) and Asia Pacific (36.5% of total footprints) are the most popular destinations for African Globalizers. North America and South & Central America host 8.5% and 17% respectively of total African footprints.

Europe maintains its spot as the most popular region for African globalizers. One of the many possible reasons why a lot of globalizers operate in Europe is its historical ties with South Africa, where most of the globalizers originate from. There is also the Trade Development and Cooperation Agreement between South Africa and the EU which opened up the European market to South African goods and firms. The treaty emphasizes economic cooperation in industry, which might explain 17% of Globalizers activities in the region being in the industrials sector and another 17% in Basic Materials.

South & Central America are destinations for 17% of total globalizer footprints outside Africa with most of the globalizers in the region operating in the telecommunications and basic materials industries; the two industries account for a combined 54% of

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globalizer footprints in the region. Globalizers in the telecommunications sector may have been drawn to the region after the bursting of the internet bubble led to a crisis in the region which eventually saw a number of international players leaving the region and creating possible opportunities for other firms.

North America sees the least globalizer activity with 8.5% of total footprints. Globalizers in the region aren't highly concentrated in any industry which makes it tougher to pinpoint a clear pull factor for globalizers in the region.

One possible factor, however, is a high level of development in the region and the subsequent opportunity it presents to both experience, by way of competition with, and adapt to world best practices.

South African Trailblazers; South Africa still Dominates Global Charge

Outside of South Africa, North Africa has the best prospects to produce more African globalizers.

The rankings feature a healthy number of North African companies, 1 from Algeria, 3 from Egypt and 2 from Morocco.

South Africa's dominance of the globalizer list remains unchanged. 23 of the 30 globalizers (76.7%) are from South Africa, an impressive and worrying number. A look at South Africa's history provides some possible explanations for their dominance in this respect. Among other historical factors including historical ties between South African business owners and the West, Apartheid era sanctions that constrained South African firms from cross-border business may have paradoxically played a role in their subsequent post-Apartheid cross-border expansions.

The international economic sanctions forced some South African companies to invest locally in one another, using several cross – shareholdings to form giant local conglomerates. When the sanctions were lifted following Nelson Mandela's release from prison in 1990, South African local giants had become strong enough and well prepared to deploy internationally through the acquisition of international assets.

Outside of South Africa, North Africa has the best prospects to produce more African globalizers. The rankings feature a healthy number of North African companies, 1 from Algeria, 3 from Egypt and 2 from Morocco.

Government owned Moroccan firm OCP in 6th place is the highest ranked firm outside of South Africa and North Africa's highest ranked company. Oando from Nigeria is the only West African firm in the ranking and the only firm not from either Northern or Southern Africa.

Cultivating Globalizers outside South Africa; Regionalize to Globalize

While collectively, African firms have increased their global footprint, it is worrying that few firms outside of South Africa are driving this trend. To increase Africa's influence in the global economy, African multinationals (outside South Africa) need to play on the world stage, and own assets, market share and supply chains in key industries and countries. One way in which more globalizers can emerge from across the continent is to encourage more companies to regionalize. As they become stronger regionally, pan-African companies acquire the clout to look to the global market.

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A good example of this is Dangote Industries Limited, one of the biggest industrial conglomerates on the continent. As the firm has grown regionally, billionaire owner Aliko Dangote has revealed plans to spend up to $50 billion in Europe and the US by 2025 – a lofty target that would also see 60% of its new investments outside Africa.

Dangote previously tried an Asia expansion and retreated to focus on its pan-African strategy. The shift in its global strategy away from emerging markets (South East Asia) to advanced markets (Europe and North America) is remarkable, but not strange if one considers a key discovery of this report: the fact that current African globalizers have more investment footprint in advanced markets than emerging markets. It is all the more fascinating why this is the case, as one would have expected otherwise.

Dangote's shift in global strategy seems to validate what our data suggests: the fact that African Globalizers may find it tougher in other emerging markets than in advanced markets. This, we believe, is largely because emerging market incumbents tend to enjoy significant home advantages conferred by government backing that is less typical in the more free-market oriented economies of advanced countries. In other words, buying up companies and assets in Europe and North America should be relatively easier for African investors than in many parts of Asia and Latin America – exactly what our data seems to suggest.

What should aspiring globalizers do then – if Dangote's shift away from emerging markets and the numbers we are seeing are anything to go by? One lesson is clear: the standard template for how to globalize – i.e., regionalize first, pursue other emerging markets that are similar in culture, and then try entry into more advanced economies – does not always hold.

Companies should adopt a heterodox approach, invert conventional models, and pursue bolder moves in the very advanced economies which conventional wisdom claims to be too sophisticated for African firms.

AfCFTA and Possible Implications; More Opportunities to Regionalize and Globalize

While the AfCFTA might accelerate regionalization and eventual globalization of African firms, it could also paradoxically, decelerate the rate of globalization of African companies.

The African union is working on a trade agreement, the African Continental Free Trade Agreement, which could have a huge impact on current and potential globalizers. The AfCFTA , if it works, will boost the opportunities for more African globalizers to emerge.

The expectation is that the AfCFTA – which aims to slash intra-Africa tariffs by up to 90% – will accelerate the regionalization efforts of companies by making it easier to move goods, people and capital across the borders. However while the AfCFTA might accelerate regionalization and eventual globalization of African firms, it could also paradoxically, decelerate the rate of globalization of African companies.

It is possible that the sheer size of the possible AfCFTA market (with purchasing power projected at $6.7 trillion by 2030) might reduce the need for some companies to go global. These are companies whose global ambitions are anchored on the need for a bigger market due to difficulties assessing the regional market. As the regional market opens up, going global might become unnecessary or even ill-advised given that the regional market will be more similar to their markets and might be easier and cheaper to enter into with AfCFTA.

The AfCFTA is an example of the kind of policies governments should adopt to help nurture more globalizers. Regional integration along with policies that create favourable conditions for growth and doing business will provide the optimal breeding ground for more global African firms. (More on page 45)

Next Frontiers; Breaking into the Fortune Global 500

None of the globalizers makes the Fortune Global 500 list – the gold standard of the world's most elite firms. Despite battling recent crisis, Steinhoff International still leads the way in the race towards the African Fortune Global 500 breakthrough with its $18.4 billion in revenue – still some distance behind the 500th placed company in the 2018 rankings, with revenues of $23.6 billion. Steinhoff will need a 22% increase in revenue to overtake Ericsson. The other closest African companies, Old Mutual ($14 billion) and MTN ($10.8 billion) would need to double their revenue to make the list; a sign of the size of the task the globalizers are faced with.

Joining the Pack; What Aspiring Globalizers should do

Aspiring globalizers – firms that have global ambitions but are yet to venture out there – will have to make as efficient use as possible of what we believe are 4 "strategic resources". First, they should look to lean on the current globalizers as possible partners in their search for pathways into world markets. Second, they should look to the African diaspora as ready-made African talent awaiting them in international markets.

Third, they should wield onto digital technology as an indispensable weapon for plugging into distant regions. Fourth, they should begin to prepare to utilize the AfCFTA's huge market as a regional springboard into global markets.

Acquisitions and mergers – as opposed to greenfield investments – will continue to be the main strategy for global expansion. Aspiring globalizers will need to master the M&A craft. They should pursue smaller scale M&As in local and regional markets as a way of practicing the art and making small-scale mistakes that are necessary for building M&A super-intelligence. (More on page 44)

Resilience; Thriving Despite Global Trade Wars

The African globalizers are still going strong and have enjoyed a year of great expansion despite the difficult economic climate created by growing protectionism and trade wars.

The African globalizers are still going strong and have enjoyed a year of great expansion despite the difficult economic climate created by growing protectionism and trade wars. However, it seems times will only get tougher as the trade war between China and the USA escalates, with the Asia-Pacific and North America regions both home to a lot of globalizers' activity.

What this year's report has shown however is that these globalizers are resilient and having expanded despite tough conditions, they will be expected to handle these upcoming difficulties and continue to drive forward towards greater global presence and competitiveness, taking the continent along with them. The environment within the region is looking like it might get better soon, with the advent of the AfCFTA, and that could be a catalyst for the current globalizers to do even better and for more globalizers to spring up across the continent.

African Globalizers with top 3 increase in Footprints Outside Africa

Company	Naspers	Omnia Holdings	Aspen Pharmacare
2020 Rank	2nd	5th	3rd
2017 FOA**	13	5	10
2020 FOA	50	27	25
Difference	37*	22*	15*

* Difference is partly due to an update in Methodology and access to new information

** Footprints outside Africa

WHY GLOBALIZE?

What is to be Gained from African Countries going Global?

Big Picture Implications	› Africa needs global giants of its own on the world stage › Their presence will both represent and drive the continent's competitivenes
Market Opportunities	› Globalisation opens up a crucial market for firms the regional market is limited › Africa's stable middle class is less than 10% of its adult population, a very limited market
Iron Sharpeneth Iron	› Competing in global markets is one of the best ways for African firms to raise their methods and practices as well as technology to match global standards and then gain competitive advantage on the continent
Long-term Stability	› Diversification on the global stage allows for greater long term stability of firm › Investing beyond the continent helps mitigate risks and better withstand shocks connected to the African Economy
Risk Factor	› Globalizing comes with extra pressures and demands that could cripple firms which venture into the global market without being adequately prepared › A unique selling point, a criteria for partnerships, an understanding of local regulatory and policy environment as well as healthy respect for all local competitors should help mitigate this risk greatly

CHAPTER

04

2020 AFRICAN GLOBALIZERS INDEX RANKINGS

The African Globalizers Index measures the extent of globalization of the 30 firms. Companies are ranked based on transcontinental spread (presence in continents outside Africa), global footprint spread (footprints in countries outside Africa) and share of revenue outside Africa. The 2020 index produced major changes in rankings, compared to the 2017 index.

Datatec maintained its spot as the most globalized African company with a presence in 4 continents and 58 countries outside of Africa. There were however changes in the top 10 positions. Aveng moved down to 6th spot from its 2nd spot in 2017, while Naspers moved up to 2nd place. Some of the changes in rankings is a result of changes to the methodology that allowed previously unaccounted footprints to be included in this year's report.

Table 1: 2020 Ranking of the African Globalizers based on the African Globalizers Index

African Globalizer Company	Continents Outside Africa	Footprints Outside Africa	% Foreign Revenues	Score	2017 Rank	2020 Rank
Datatec	4	58	97	1.00	1st	1st
Naspers	4	50	37	0.81	8th	2nd
Aspen Pharmacare	4	31	74.5	0.72	3rd	3rd
Grindrod	4	20	72	0.62	5th	4th
Omnia Holdings	4	27	27	0.59	21st	5th
OCP	4	10	88	0.57	6th	6th
Sasol	3	18	48	0.55	15th	7th
Aveng	3	16	41	0.52	2nd	8th
Old Mutual	4	16	21	0.48	4th	9th
Steinhoff International	3	8	67	0.43	7th	10th
Murray & Roberts	3	6	69	0.42	9th	11th
Sanlam	3	9	48	0.40	12th	12th
Standard Bank Group	4	6	14	0.38	17th	13th
Sappi	2	8	74	0.37	10th	14th
Distell Group	4	5	12.8	0.37	16th	15th
Discovery	4	4	41	0.34	14th	16th
Gold Fields	2	4	56	0.30	11th	17th
AngloGold	2	4	37	0.26	–	18th
El Sewedy	2	5	19	0.23	23rd	19th
Attijariwafa	1	6	38.6	0.21	13th	20th
Barloworld	2	3	13.8	0.20	26th	21st
MTN Group	2	5	4.8	0.20	22nd	22nd
Oando	2	2	13	0.19	18th	23rd
Woolworths Holding	1	2	43.2	0.18	20th	24th
Global Telecom Holdings	1	2	38.8	0.17	24th	25th
Blue Label Telecom	2	2	2	0.17	28th	26th
Truworths International	1	3	20	0.14	25th	27th
Group Five	1	3	6	0.11	19th	28th
Ghabbour Auto	1	2	5	0.10	27th	29th
*Cevital	3	6	n/a	n/a	–	–

NB: Foreign revenues for Companies with asterisk **(*)** not available **(n/a)**

Where do the African Globalizers come from?

The Globalizers come from a few select countries within each sub-region. South Africa boasts of the largest number of firms that have expanded beyond Africa, with over 70% of the firms that qualify for the rankings headquartered in the Rainbow Nation. North Africa has the second largest number making up 23% of the firms while West Africa accounted for just 3%.

Figure 1: Country distribution of the origins of the African Globalizers

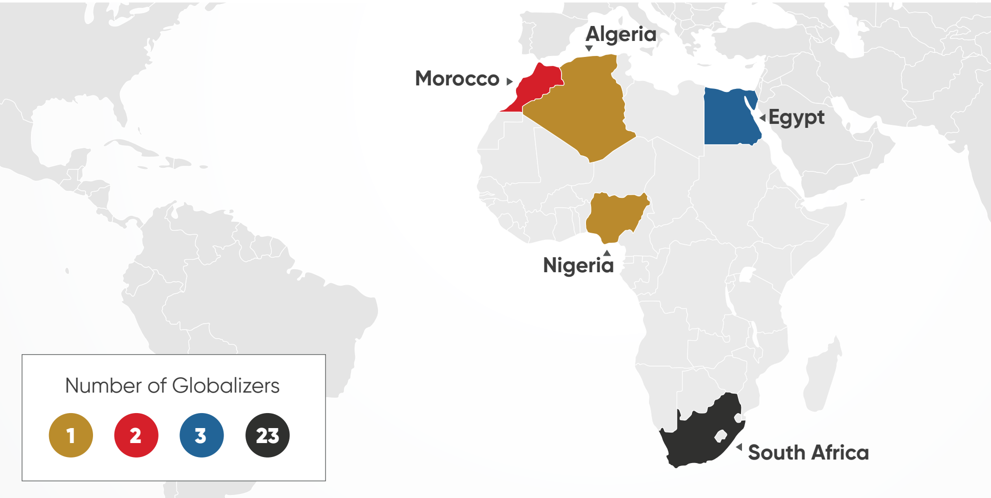
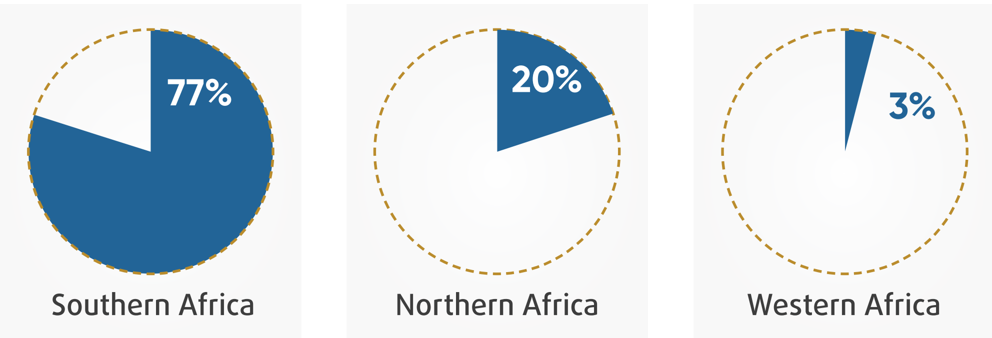


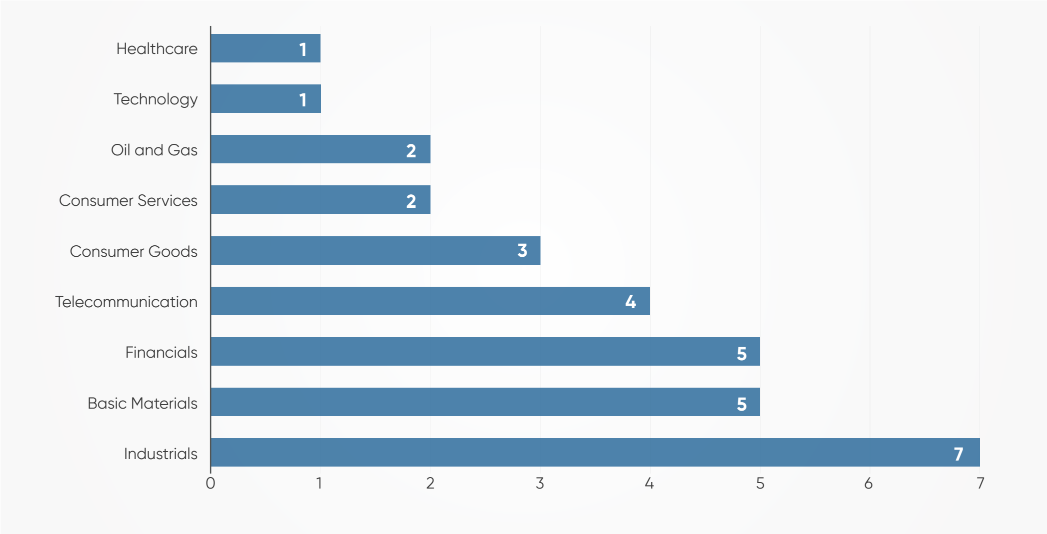
Figure 2: Regional distribution of Globalizers in Africa



Which industries do the African Globalizers operate in?

The Globalizers operate in a wide range of Industries from Telecommunications to Oil and Gas. The sector with the most concentration of Globalizers is the Industrial sector, with 7 of the ranked firms, followed by financial and Basic Material sectors with 5 firms each.

Figure 3: Industry distribution of the African Globalizers



Which global markets are the African Globalizers expanding into?

The African Globalizers have a combined investment/operational footprint of 355 outside of Africa with the Asia-Pacific and European markets accounting for most of these activities; a combined 76% of the total globalizer footprints are in these markets. The other 24% is shared between the North America region (11%) and the South & Central America region (13%).

Figure 4: Industry distribution of globalizers across regional markets

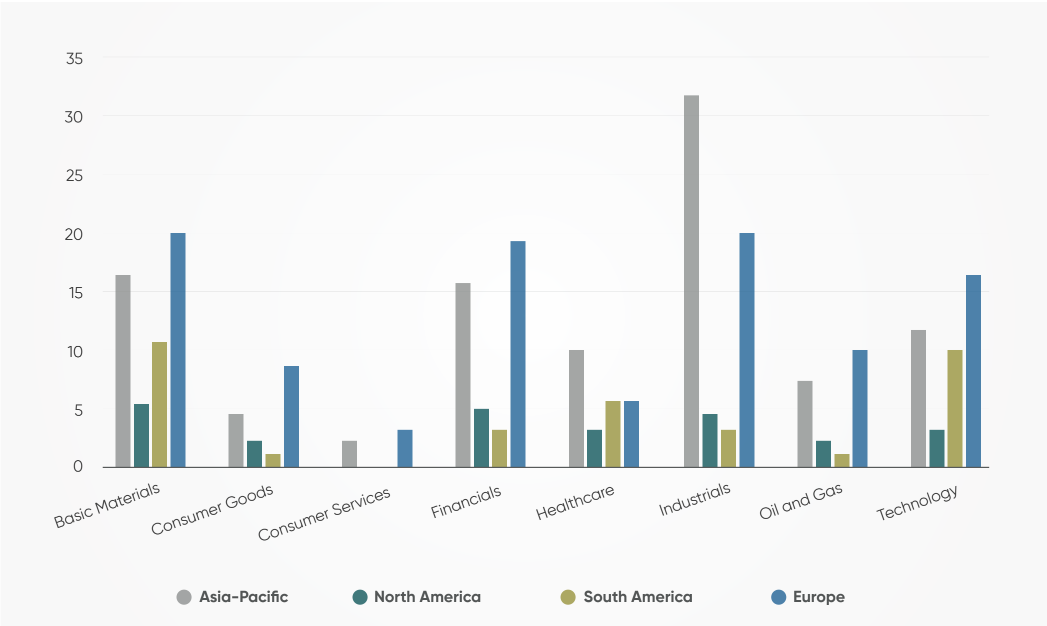
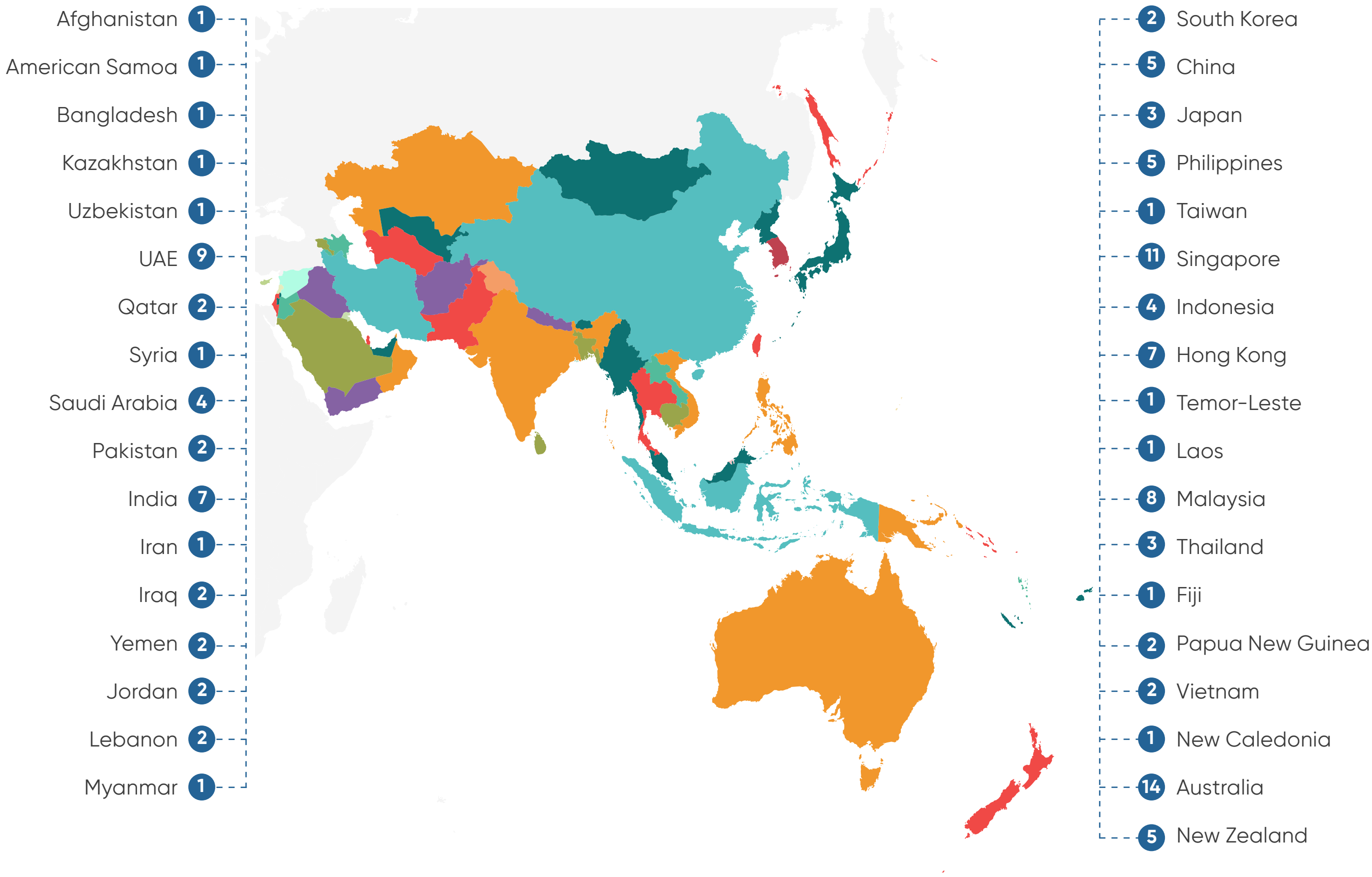
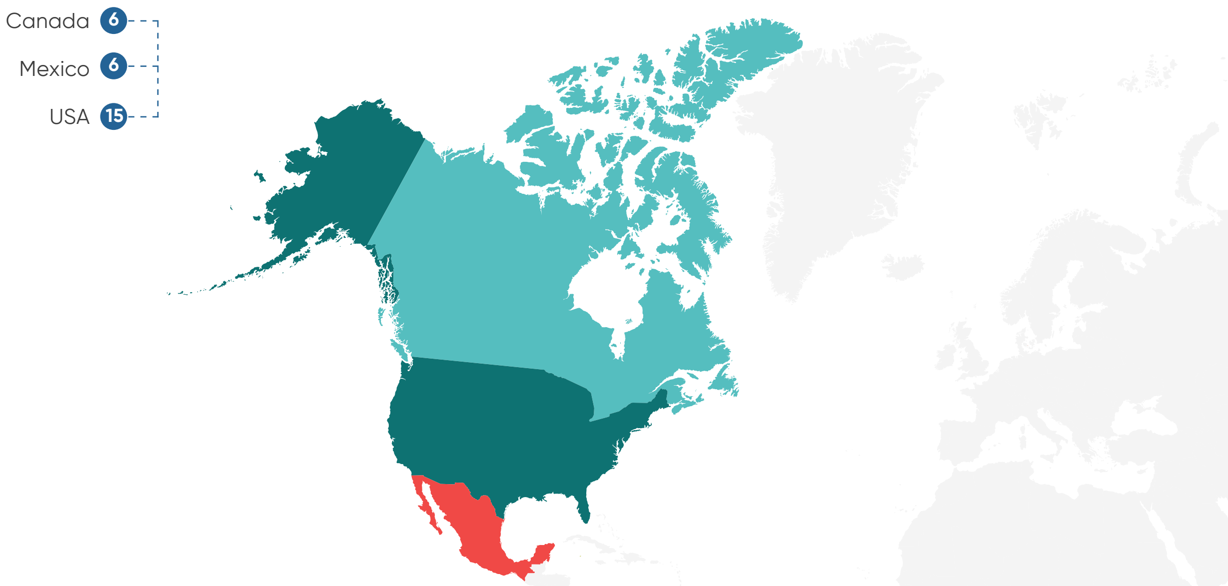


Figure 5: Globalizers Footprint distribution outside Africa

Asia Pacific Region



North America Region



South America Region

- Argentina 5
- Bolivia 2
- Brazil 11
- Cayman Islands 1
- Chile 6
- Colombia 6
- Costa Rica 3
- Ecuador 3

- El Salvador 1
- Guatemala 2
- Panama 2
- Paraguay 3
- Peru 4
- Uruguay 3
- Venezuela 1

Europe Region

- Armenia 1
- Austria 4
- Belarus 1
- Belgium 5
- Bosnia & Herzegovina 1
- Bulgaria 1
- Cyprus 1
- Czech Republic 3
- Denmark 1
- Finland 3
- France 11
- Germany 9
- Greece 2
- Hungary 2
- Ireland 5
- Italy 7

- Luxemborg 2
- Malta 1
- Netherlands 10
- Norway 1
- Poland 5
- Portugal 3
- Romania 1
- Russia 4
- Slovakia 1
- Slovenia 1
- Spain 6
- Sweden 2
- Switzerland 6
- Turkey 4
- UK 16
- Ukraine 1

Why are Globalizers Expanding into the Regions they are Expanding into?

The reasons why the African Globalizers are expanding into the regions they are expanding into are varied with different regions offering different incentives.

Europe; The Historical Partner

Europe has the highest concentration of African globalizer expansions, quite likely influenced by historical ties with South Africa, home to 74% of the globalizers. South Africa's Trade Development and Cooperation Agreement (TDCA) with the EU signed in 1999 which came into force in 2004 is also another plausible reason as it gives goods from South Africa preferential treatment. Unsurprisingly, 53% of globalizer activity in the consumer goods sector are in Europe. The fact that over 20% of globalizer activities in Europe are in the industries sector might also be related to the treaty which singles out industry as a major area for economic cooperation.

Asia Pacific; The Big Market

Asia Pacific offers, firstly, a very huge market for consumer goods (27% of globalizer activity in the sector happens in this region). Given that Asia is the industrial hub of the world at the moment it is unsurprising that most of the globalizers operating in this sector, over 40%, are in the region as well. The region's rapid development has made it a major epicenter in the business world, expanding into the Asia Pacific therefore, means access to one of the world's largest markets in terms of population, lucrative tax incentives as well as access and proximity to a major business hub on the globe.

South & Central America; Familiar Territory

Most of the globalizers' activity in the region is in the telecommunications (26%) and Basic Materials (26%) sector. It appears that an early 2000's economic crisis that forced many of the major world players in the sector to exit the region could have created an opportunity for new players to enter the region, including African firms. Given that South America is also very rich in mineral resources and is a similar market to Africa, it is understandable that mining companies in Africa should seek to find other bases of operation in a similar market with similar resources, which explains the high percentage of footprints in the Basic Materials sector which includes mining.

North America; The Road Less Traveled

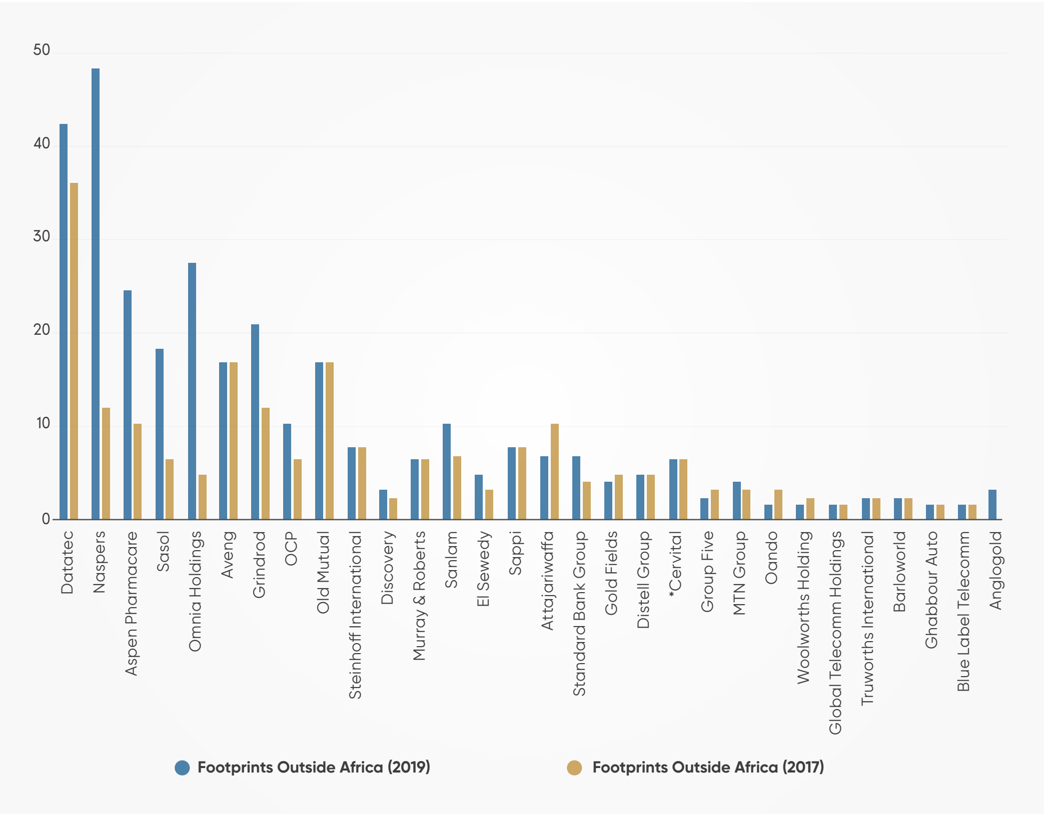
The region with the least globalizer activity is a difficult one to decipher. North America's low Globalizer figures may seem to be a sign of reduced Globalizer activity in the region, however, on the average the region has a higher average Globalizer per country (9) than all other regions, with the countries in North America accounting for only 3.5% of the total number of countries with footprints but containing 8.5% of total footprints. Given how developed the countries in North America are, this is a very good sign for globalizers. Developed markets like those in North America might be typically tough to get into but they usually offer stability and the opportunity to operate at a high level and grow a company, this could explain Globalizers' pull to North America.

CHAPTER

05

TRACKING CHANGES IN FOOTPRINTS

Changes in footprint outside Africa – as opposed to changes in revenue outside Africa, is the main factor driving changes in the rankings. From the figure below, those who moved up the rankings did so mainly through acquisitions that increased their footprints outside Africa. (Aside a few companies that gained from changes to the methodology allowing for previously unaccounted footprint to be included). Little or no expansion activity accounted for the fall of some companies down the rankings.



This year's overall rankings saw a lot of movement from the previous report with only 4 of the firms keeping their place. 2 of those 4 firms, however were in the top 3, an indication that very little movement occurred at the very summit of the rankings. 1st placed Datatec and 3rd placed Aspen, both kept their places from the previous ranking with 2nd placed Naspers the only newcomer to the top 3.

Moving Up; The Three Most Improved Globalizers from the Previous Rankings

As previously stated, this year's rankings saw a lot of movement, with quite a number of firms moving down the table. However a few firms made some big pushes culminating in huge strides up the rankings. As shown in the table 2, Omnia, Sasol and Naspers are the three most improved companies.

Table 2: The three most improved globalizers

Company Name	2017 Rank	2019 Rank	Difference	2017 COA	2019 COA	Difference	2017 FOA	2019 FOA	Difference
Omnia	21	5	↑ 16	2	4	↑ 2	5	27	↑ 22
Sasol	15	4	↑ 8	3	4	↑ 1	6	18	↑ 12
Naspers	8	2	↑ 6	3	4	↑ 1	13	48	↑ 35

*COA: Continents outside Africa *FOA: Footprints outside Africa

OMNIA

- Omnia's movement up the rankings this year was boosted by the acquisition of Oro Agri SEZC Limited and Oro Agri SA (Pty) Ltd. which hugely boosted their global reach contributing to an increase of 2 new continents outside of Africa and 20 new footprints

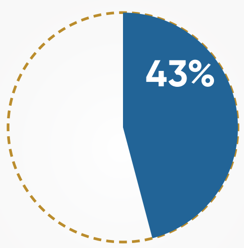
sasol

- Integrated chemical and energy company founded in 1950 and headquartered in Johannesburg, South Africa
- Sasol moved 11 places up the rankings with their Continents outside Africa and Footprints outside Africa values increasing by 1 and 15 respectively

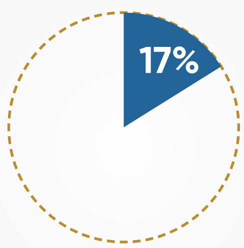
NASPERS

- Africa's biggest company by market value
- Invested over $2 billlion dollars in acquisitions since 2017

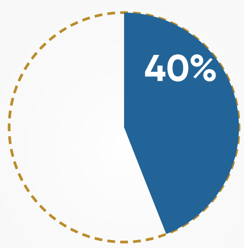
Globalizers' Footprint Movement



Increase in Footprint



Decrease in Footprint



No change in Footprint


7542
Long Island Rail Road
7636
Long Island Rail Road

CHAPTER

06

PROFILING OUR TOP PERFORMING GLOBALIZERS

Datatec: Africa's Most Global Company

CEO Name:
Jens Montanana

Year Founded:
1986

Headquarters:
Jonannesbury, South Africa

Industry:
Technology

Footprints outside of Africa:
58

Percentage of Foreign Revenue:
97%

Globalizers Ranking 2018:
1st

" Logicalis delivered good growth during the year, supported by a much improved performance across our Latin America, Europe and Asia-Pacific businesses in the second half as well as the strategic acquisitions completed during the year. We expect Logicalis to deliver a strong financial performance in FY19 (on main subsidiary Logicalis) "

Highlights

- Strategic acquisitions made from June 2017 to May 2018.
- June 2017 - acquired a 100% share of Nexia management consulting, through subsidiary Analysys Mason, added footprints in Norway and other European Countries.
- July 2017 - acquired a 51% share of Nubeilu Limited, through subsidiary Logicalis.
- September 2017 - acquired a 54% stake in PSI, which strengthened its position in the Asian market.
- May 2018 - announced the acquisition, through Logicalis, of a South American company COASIN with operations in Chile and Peru.

Rankings Story

- Have 58 footprints outside Africa, no African Globalizer has more.
- Second highest increase in footprints from last ranking with 21.
- 1st place for second year running.

Naspers: Africa's Leading Investor in Asia Pacific

CEO Name:
Bob Van Dijk

Year Founded:
1915

Headquarters:
Cape Town, South Africa

Industry:
Telecommunication

Footprints outside of Africa:
50

Percentage of Foreign Revenue:
37%

Globalizers Ranking 2018:
2nd

"We are trying to invest in models that get a good scale and play a role in people's lives. Take-a-lot grew fast in South Africa. The e-commerce models are important to consumers and sustainable"

Highlights

- Invested over $2 billion in acquisitions; mainly in e-commerce, food delivery business and digital travel and payment services.
- Strong growth from e-commerce segment due to the growth of its Chinese based technology firm, Tencent.
- Became biggest single shareholder of DELIVERY HERO, a global online food ordering and delivery market place which operates in over 42 countries.
- Invested a combined $202 million (R2.7 billion) in 2017 to acquire a controlling stake (96%) in its associate Takealot Online, the leading e-tailer in South Africa.

Rankings Story

- Moved up 6 places from 8th place in previous ranking.
- Highest increase in footprints outside Africa from last ranking with 37 new footprints.
- Second highest footprints overall footprints outside Africa (50).

Aspen Pharmacars: Africa's Big Leagues Player

CEO Name:
Stephen Saad

Year Founded:
1997

Headquarters:
Durban, South Africa

Industry:
Pharmaceuticals

Footprints outside of Africa:
25

Percentage of Foreign Revenue:
74.5%

Globalizers Ranking 2018:
3rd

"Outside the United States we are number one in anesthetics"

Highlights

- 25 manufacturing facilities at 17 sites on six continents and manufacturing 24 billion tablets annually.
- In 2016, Aspen reached agreement with AstraZeneca AB and AstraZeneca UK ("AstraZeneca") to acquire the exclusive rights to commercialize AstraZeneca's global anesthetics portfolio in 100 countries worldwide, including China but excluding the USA.
- In 2017, Acquired remaining rights to intellectual property and manufacturing know-how related to AstraZeneca's anesthetics portfolio.

Rankings Story

- 3rd Highest footprints outside Africa (25).
- 3rd place for second year running.
- Percentage foreign revenue increased by 5.5%.

OCP: Africa's Most Global Firm outside of South Africa

CEO Name:
Mostafa Terrab

Year Founded:
1920

Headquarters:
Casablanca, Morocco

Industry:
Basic Materials

Footprints outside of Africa:
10

Percentage of Foreign Revenue:
88%

Globalizers Ranking 2018:
6th

"OCP reported strong growth in 2018, consistent with the positive results achieved throughout the year, and representing substantial improvement across all key metrics. This was achieved thanks to the benefits of our investment programme, which drove productivity gains and has transformed OCP over the last decade, providing sustained operating excellence as well as leading position in the industry."

Highlights

- One of the world's leading producers and exporters of Phosphates.
- Own 31% of the Global Phosphate and Fertilizer market share.

Rankings Story

- Highest ranking non-SA company for 2 editions now in 6th place.
- 2nd highest percentage revenue outside Africa with 88%.
- Increased footprint outside Africa from 6 to 10.

CHAPTER

07

GOING GLOBAL: STRATEGIC OPTIONS FOR ASPIRING GLOBALIZERS

In the coming years, more African firms will seek to join the pack and explore global opportunities. One of such firms to look out for is the Dangote Group, one of Africa's largest industrial conglomerates. Dangote Group announced, in 2017, ambitious plans to spend up to $50 billion in Europe and US by 2025 and while that has not manifested yet, the conglomerate is definitely one to watch. Unfortunately, outside of South Africa, the prospect of these firms meeting their aspirations will be low, based on current trends. Dangote Group's struggles to fulfill their global ambitions so far, is indicative of how tough it can be for African firms to break onto the world stage. In order to shift these trends, African firms seeking to globalize will have to think outside the box. Below we have summarized the strategic options available to aspiring Globalizers.

Regionalize to Globalize

- Most traditional option
- Most likely option for African firms

Positive: Offers regional consolidation which then serves as a base and a springboard for a more assured foray into the global market with less risk of being overwhelmed.

Negative: Possible market obstacle as African economies aren't growing a middle class fast enough to create sufficient growth markets, limiting regionalization possibilities and consequently globalization.

Regionalize and Globalize Simultaneously

- Tricky
- Unconventional

Positive: Offers the possibility of quick growth and very fast progress.

Negative: can be difficult to pull off with the danger of firms spreading themselves too thin and losing out on both the regional and global stage.

Globalize to Regionalize

- Pathway of most South African Globalizers
- Best for market where regional competition is driven by global standards

Positives: Creates great platform for regional dominance which consolidates and helps enhance global expansion.

Negatives: Possible dangers of overwhelming structures of the firm as it may be unprepared for the pressures that come with global market.

Globalize at Birth

- Increasingly more popular approach for tech companies starting up in the West but also possible for African firms
- Best boosted by collaboration across borders

Positives: Firm is created already with a foot in the global market and is therefore equipped to compete on global stage from inception.

What can aspiring Globalizers do?

Look to South Africa for Lessons and Partnerships

- Aspiring globalizers can learn a lot from South African counterparts even if the historical contexts are not the same.
- Finding partnerships with South African firms is one way of gaining access to the knowledge and systems that are helping these firms thrive.

Work with Global firms in Africa

- Partnering and leveraging relationships with global firms on the continent is very useful to any aspiring globalizer.
- Partnering such companies opens the possibility to access and use their resource networks which are crucial for globalization.

Master Mergers and Acquisitions

- Mergers and acquisitions are the primary strategy of expansion used by African Globalizers so far and offer the quickest route to expansion.
- They come with inherent risks which make it necessary for aspiring globalizers to master the processes and mitigate the risks as much as possible.

Find Innovative of Financing

- Financing global expansion projects can be really tough especially in Africa due to lack of deep capital markets on the planet.
- This difficulty creates the need for innovation and 'outside the box' thinking, for example a firm can choose to enlist on a major international stock exchange like Anglogold did.

Make efficient use of the resource base that is the African Diaspora

- The African diaspora is a very useful resource for talent, investment as well as networking.
- The diaspora is increasingly interested in investing on the continent as well as being part of Global African projects and aspiring globalizers should tap into that.

Upend conventional models – take advantage of tech and the internet

- Innovation, new methods and strategies are all very crucial to the globalization push as pointed out.
- The internet and current techonlogical advancements create a great platform for such innovation and the internet has the added bonus of decreasing globalization costs.

AfCFTA and its Implications for Global Expansion of African Firms

With the African Continental Free Trade Area scheduled to come into effect in January 2021 when trading is slated to start, the economic climate in the region is destined to be very different in the next few years as the effects of the AfCFTA kick in. The AfCFTA will bring with it a lot of changes which will invariably affect the way Globalizers do business. We speculate that the AfCFTA could accelerate global expansion of some African firms while decelerating global expansion of others.

More Regionalizers, More Globalizers

The first possible effect of the AfCFTA is an increase in regionalization due to the ease of movement of goods, people and capital. AfCFTA's ambitious target to shave down tariffs by as much as 90%, if it manifests, will unleash unprecedented opportunities for regional commerce and trade and this could accelerate globalization efforts of companies.

The United Nations Economic Commission for Africa (UNECA) estimates that with the implementation of the deal, AfCFTA could boost intra-African trade by $35 billion in the first couple of years. This might afford more companies the chance to use the "Regionalize to Globalize" strategic option for going global suggested earlier in this report. An independent assessment carried out by UNCTAD in February 2018, projects a 24% increase in intra-African trade as a result of AfCFTA and a 3.8% decrease in trade deficit, even in a pessimistic scenario where sensitive products are exempt from liberalization. These figures point to a greater opportunity to expand regionally with ease which would give more companies the opportunity to create the sort of base that can sustain a foray into the global market.

More Regionalizers, Fewer Globalizers

Second, the mere scope for expansion could mean some companies that would have sought to globalize in different circumstances will be content with regionalizing as a result of the possible size of the regional market. The AfCFTA could become the largest free trade area in the world which will create a lot of room and scope for expansion, enough scope to negate a necessity to go global especially for globalizers who go global mainly in search of larger markets. According to the International Trade Centre, "the target market for the AfCFTA is projected to rise from an estimated 1.27 billion to 1.7 billion by 2030, out of which about 600 million will be in the middle class (Bramdeo 2018). In terms of aggregate gross domestic product (GDP), this will range from $2.1 trillion to $3.4 trillion or $6.7 trillion at Purchasing Power Parity terms. In terms of investments and consumer spending, the AfCFTA is expected to attract an estimated $4 trillion (Azikiwe, 2018)".

Attracting Investments and Competition

The third possibility is one of increased competition from foreign companies. As the region becomes even more attractive it is not far-fetched to imagine foreign companies coming into the market more aggressively. While AfCFTA's rules of origin may limit this as much as possible, it is always a danger that stronger, more well-established companies might enter into the market through one of the member states and stifle African companies. One way of combating this will be to encourage partnerships with such 'outsiders', partnerships which will invariably give these African companies a gateway to the global world. The increased competition might also help some companies raise their standards to the levels required to successfully take on the global market.

References

The data for this report is sourced from a number of credible public and confidential sources which include, but are not limited to, company reports, company websites, credible news outlets and the first edition of the African Globalizers report which was released in 2017. A detailed list of references is available upon request to the authors.

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